

Housing deficit and housing opportunities: implementing collective ownership in the centre of São Paulo, Brazil. The case of FICA fund

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Abstract: In the centre of São Paulo, numerous people are excluded from the legal formal housing market, because of too high rent prices in proportion to average salaries. In fact, the speculation on housing prices is widespread, determining unsustainable rent prices for poor and lower-middle classes, who often must live in peripheries while working in the centre, and suffer from long daily commuting. Exclusion from housing market firstly regards the lowest income people, but they need comprehensive social support, and not just an adjustment of the proportion salary/rent, to improve their living conditions. Nevertheless, it is possible to invert this trend thanks to non-profit initiatives of collective ownership. In fact, in 2015, in São Paulo a citizens' formal association created the Community Real Estate Fund for rent. It is legally able to collect donations in cash and in real estate, buy and refurbish an apartment, and rent it to people at risk of exclusion. Throughout further donations and an economically sustainable, but equal financial management, the Fund will be able to buy other apartments and rent them to other people. Assuming a community-based approach to private property, private interests can be replaced by non-profit ownership, providing accessible houses to the members of the community. Rent prices can be defined with respect to the minimum salary, and so, not overcoming a critical threshold, including more people in the housing market.

Keywords: Collective ownership, social rental housing, São Paulo, Brazil

Introduction

In the last ten years, the federal and municipal Brazilian housing policy has shown that limits of the ordinary private property regime are critical, whether the legal attribution of private property titles is the main procedure to ensure adequate housing for people, including the lowest income group.

Although building over 4 million of housing units, in the end, the notorious federal housing Minha Casa Minha Vida (MCMV) programme¹ resulted in the inflation of the land price (Geraldo, 2014), because it paradoxically depended on the availability of low-priced land, to realize the targeted projects (Klintowitz, 2016).

¹ Activated in 2009 by the Lula's federal government, is one the largest national housing programmes worldwide. <http://www.caixa.gov.br/voce/habitacao/minha-casa-minha-vida/urbana/Paginas/default.aspx>

The high prices of buildings realized throughout the MCMV explained why the programme failed in providing accessible housing options in the central regions of Brazilian cities (Rolnik et. al, 2015). The large distance between the localization of the new residential neighbourhoods and the central regions of the targeted cities increased, showing larger and larger barriers to access to central locations for the new settlements (Lima Neto, Krause e Furtado, 2015). However, that was not a new, or surprising effect, but an evident risk, that had already been foreseen by some experts, when the programme was announced (Bonduki, 2009).

In general terms, one of the main housing options in Brazil, defended by progressive political groups, is the housing policy based on rent. In this option, the renting relationships imply the division of the land-use exchange value of a property, avoiding that the new dweller sells the property he has just received with public financial support and goes back to precarious or unhealthy settlements. Policies based on rent do not imply debts or financial interests for the beneficiaries, who pay for housing as a service, and not as building stock. Further, when the property of the rented house is public, there are more chances to control the rent prices.

Numerous academic studies on the social rent have defended this approach as a “principle” and are addressed to illustrate this type of housing initiatives more than properly analyse and assess them. A dossier entitled “housing and social rent in Brazil”, elaborated by Mourad and Baltrusis (2014) contained articles on the national situation of housing rent (Pasternak e Bogus, 2014); on problematizing the absence of a social rent programme in Salvador (Baltrusis e Mourad, 2014); on data regarding housing and tenants in Curitiba, denouncing the absence of social rent programmes (Moreira, 2014); on the need of a programme of social rent in Belem, and the existence of buildings which could be used for this aim (Mercês, Tourinho e Lobo, 2014). Finally, just an article reports some realized experience in São Paulo (D’Ottaviano, 2014).

Another recurrence is the citation of international experiences. Santos, Medeiros & Luft (2016) on a paper regarding the social rent in Rio de Janeiro, on the one side, pointed out the permanent absence of renting housing policy, and on the other, refer to the French case. Balbim (2015) mentions such examples as France and Italy, in order to show the feasibility of housing policies based on rent, to defend a national programme called Social Housing Service, proposed by the Ministry of Cities in 2009, but that has never been regulated and so neither implemented. Paolinelli (2017) discusses the feasibility of rent-based policies, mentioning international examples and São Paulo as the unique advanced case in Brazil, followed by Belo Horizonte, but just for expectations and opportunities.

A single experience on public owned social rental is in course in the country so far, in the Municipality of São Paulo, that since the beginning of the XXI century has promoted social rent, built and preserved more for the effort of some officers than for the municipal political will.

In São Paulo 6 projects are currently managed by the system of social municipal location: Parque do Gato (486 units, 2004), Olarias (137 units, 2004), Vila dos Idosos (145 units, 2007), Asdrubal do Nascimento (40 units, 2009), Senador Feijó (45 units, 2009), Palacete dos Artistas (50 units, 2014). Just a few works present assessments on this issue, based on empirical evidence. The Municipality of São Paulo produced three assessment reports (2005, 2008, 2012, apud Gatti, 2015), Kohara et. al (2012) distributed 28 questionnaires; Gatti (2015) realized a field research in Parque do Gato and Vila dos Idosos and was based on the assessments produced in the town hall. For the settled families involved in the programme and remaining in those units the living conditions improved, but many of them were coming from situations of extreme poverty or using most of their income for paying the rent (Kohara, Comaru, Ferro, 2011).

From the point of view of public power, the situation is quite complex. One year after the beginning of the implementation of the first two projects, the non-compliance was more than 50%. The wider project, the Parque do Gato, presented since the first two years the most critical situation: non-compliance, informal exchange of units, illegal constructions in open lands, lack of realization of the commercial areas initially planned, irregular

occupation, illegal water and electricity connections. In fact, Gatti (2015) underlined the lack of dedicated civil servants for this rent programme, the management difficulties in the block of flats, the absence of a clear division of responsibilities.

Gatti (2015) underlines also a huge contrast between this case and the project in Vila dos Idosos, for elder people and points out the homogeneity of the group, due to a constant income of retired tenants, the need for housing and not the accumulation of building stock, the presence of leaders, organizing the community. All of them contributed to the good physical condition, the low noncompliance and absence of informal transfers of units. A similar situation occurs in the Palacete dos Artistas, another project addressed to elder people in 2014. Good management is always ensured by elder ladies: Olga, Neide, Dóris (Vila dos Idosos), Maitê, Valéria (Palacete dos Artistas). Kohara et. al (2012) reiterate this position, showing that for elder people the rent housing solution is considered as definitive, differently from younger beneficiaries in the programme. Of course, it totally inverts the positions.

In brief, the literature discusses all the expectations from housing rent, also sustained by international examples, but at the local level, the absence of cases and not implemented policies is observed: São Paulo is an isolated exception, but it has been a little assessed so far. When the problems of the municipal programme are discussed, in general, the responsibility is attributed to the lack of state support: management, lack of civil servants, lack of organization before the beneficiaries, failures in the social work.

However, even supporting social rental policies, the empirical evidence shows that in the Brazilian current conditions ordinary public policy does not achieve relevant advancements, public policy critical points should be seriously considered to recognize all the challenges and propose solutions for specific aspects of the functioning of an effective social rent housing programme.

As first, a high level of default emerges. Also, the emission of tickets of rent paid by the municipality is critical because of the difficult monitoring of rent payments, lately ticket deliveries, fine payments. Even if all these challenges were addressed, one major question would remain: what doing with noncompliance? In the relationships of private rents, this risk is calculated and marked by the need of guarantors, by contracts of insurance-bonds, for deposit-caution. When all these tools are not sufficient to regularize payment, there is a tool for the legal eviction. In the case of informal rent, the risk assumed by the owners is accounted as a money amount, converted in illegal values paid by the tenant.

What is trivial for a private person is a huge problem for the state. Constitution assures the right for housing in the Brazilian State. A defaulting tenant can advocate for this right, mobilizing the support of the public defence, or specialized technical advice, as to avoid an eviction. It means a political risk for the public managers, not usually available to assume this kind of risk. Even in the case of evicting a defaulting tenant, a municipality cannot simply put people in the street, it should provide any kind of alternative housing solution, rent aid, etc. This can cost as much as paying for the rent of a dweller in his/her rented house. It is not by chance that so far, in the 15-years-programme, nor a unique family was evicted for not paying the rent in São Paulo. From the point of view of the stability of families this makes sense, but for the financial and administrative health of a housing programme is very problematic.

Beyond the humanitarian dimension, the noncompliance in a programme of social location in public buildings has other difficult dimensions. It is epidemic: if a dweller does not pay the rent for months, or years and no eviction is executed, other tenants will follow and default becomes epidemic. Therefore, projects of social rent in São Paulo show that the noncompliance increased very rapidly, and decreased very slowly in specific moments, even with intense social work on the tenants.

If a dweller does not pay the rent of public property for 5 years without the State's opposition, according to Brazilian law he/she can apply for property rights, in an instrument called "concessão especial de uso para fins de moradia" (special use concession for housing purposes). The building can be in practice privatized through default

of the tenants. A dilemma results from this situation: getting paid for the defaulting tenants affects financial, administrative and political consequence, as well as not getting paid. Assuming that dwellers will pay the rents just out of goodwill is not realistic, low-income people have urgent needs to spend their money on than paying rent, especially if they considered there is no risk of eviction.

In addition to noncompliance, there are other issues: how could buildings and apartments' maintenance be ensured? How would it be possible to involve the dwellers of a block of flats in building management, as to optimise the disbursement? How could the value of rents be calculated? These points can be solved, but the effort and the people to be mobilized are relevant, and there is a permanent lack of staff and resources in the Brazilian housing sector. Political actors assess the risk to orient their actions towards social rent housing, and it appears as too risky. In the electoral perspective, a property title is much better valued than a rent contract. For all these reasons the example of São Paulo is the only one in the country for 15 years approximately. On the one side, activists and researchers have defended and promoted the policies based on rent, thus showing a more theoretical and ideological perspective; on the other hand, public managers are quite sceptical about this kind of program, attempting to the adversities.

A small group in São Paulo is producing an alternative, approaching the social rent from the perspective of the civil society. In 2015, a non-profit association was created to promote low-priced housing rent and this paper aims to illustrate this unique case in Brazil, aware that it is not a new experience worldwide. In a series of countries, this type of organization has been developed for years. The so-called third sector is a structuring element in numerous international experiences, mentioned by Brazilian researchers, in France, Italy and South Africa, among the others. Indeed, in many of these cases, incrementally housing promoted by the third sector have anticipated the public initiative. The third sector produces incrementally experiences, technical knowledge, and tangible results. It has assumed the role of a reliable player in the state's eyes. It is also true that the state has often contributed to the creation, growth and strengthening of the non-profit housing sector. In spite of knowing the cases, Brazilian literature usually proposes an exclusively governmental agenda for this issue.

Building a formal framework for the institution

At the beginning of 2015, in São Paulo a group of people began a collective reflexion on the issues related to the no speculative property, in the *Lanchonete Association*², a cultural platform, created to assess the feasibility of a cultural project, not having gentrification effects. A challenge of this initiative was to buy a space which could be a cultural and leisure centre. In this way, the same space would stay apart from speculative processes. Eventually, that project was successful in buying a place in downtown São Paulo with resources from other sources. The awareness of the need for money and properties was there since the beginning, and since the first meetings funds have been collected. Lanchonete.org promoted the voluntary participation of guest chefs for meetings in the first half of 2015 throughout social events, that were fundamental to strengthen the cohesion of collaborators with different qualifications: architects, sociologists, artists, economists, lawyers, historians.

Since the beginning of the project, it was clear that the organization should be formal and that the group was acting beyond a simple idea. Among the first supporters of the project, there were two lawyers of an office specialized in public law, who elaborated *pro-bono* a proposal of institutionalization. Within the Brazilian legal order, there were two possible alternatives: the creation of an *association*, or a *foundation*. In principle, the model of a foundation was more appropriate to manage building stock, but creating a foundation implied a complex and expensive administrative structure, whose cost was not sustainable for Lanchonete. Therefore, the association option was selected and the “Association for Community Property” was created³.

² www.lanchonete.org

³ Associação pela Propriedade Comunitária

Because of the lack of large financial sources, the association structure was as simple as possible. There is an executive directory board – lasting 3 years - composed of a president, vice-president, a financial manager and two supplementary directors, elected by an assembly, having an annual meeting.⁴ The directory board has civil and juridical responsibilities, runs the association on a daily basis and is accountable to the assembly.

In October 2015, the Statute was approved in a first foundational assembly, the association was thus legally founded. The association's name "Associação pela Propriedade Comunitária" appeared very technical, and after a proposal from a specialist, has adopted the public name Fundo Imobiliário Comunitário para Aluguel (community real estate fund for rent) The acronym FICA means "stay" in Portuguese, evoking the struggle to maintain poor people in central locations.

In the following year, a functioning framework was created: registering the association formally, opening a bank account, and establishing a fundraising campaign through crowdfunding. FICA accepts any kind of cash donation, but campaigns for signatures or monthly donations. The consistency of the donation and the conscience that it is a long-term project with no immediate results are more important than the monthly amount of each donor. At the beginning of 2017, it was all ready for further publicization.

The fieldwork of the initial phase

No large financial resources were available at the beginning, and Brazilian society has not a strong philanthropic tradition. The initial work was almost exclusively voluntary, including professional activities. People are busy, and we were aware that we could not press anyone with goals and deadlines. The project was set up as a long-term one. It was crucial that the fund grew, even if slowly.

Nevertheless, the fundraising got momentum. On top of monthly donations, some larger ones appeared, up to USD 5.000. The most important step happened when a couple of FICA supporters offered as a kickstart to the project to buy an apartment and give it to FICA for 8 years in usufruct. That was an essential step.

The first apartment was bought in the market in July 2017, for R\$ 162.000 (approx. € 37.300), paid by the donors. It has 47 square metres, had been idle for 10 years, and was in bad conditions. This first location was also essential to increase the visibility of the initiative. The association can meet there, invite journalists and bring possible supporters to visit the Project to show that it was not just an idea. A working team was set up among associates to make a collective project for the refurbishment.

Having a formal institution, a crowdfunding campaign, some institutional partners and a flat made people pay attention to the project. First invitations to participate in public debate started to appear, as well as the first articles in the press about the project. FICA was invited to participate in the XI São Paulo Biennial of Architecture, that took place from October to December 2017. For that occasion, the apartment itself was exhibited, with a very simple expography explaining the project. When in December 2017 FICA was invited to participate of a public debate on social rent sitting together with the municipal secretary on housing and a municipal councillor people understood it was definitely accepted as a player in the discussion.

⁴ The Statue of the Associação pela Propriedade Comunitária is available at: www.fundofica.org

The pilot phase: using the first apartment

Having the apartment, we had to calculate our financial model. FICA was never aimed to substitute the state, and it was clear we did not want to subsidize ordinary housing costs. The idea was to calculate what we called the “cost price” of the flat. In several rounds of discussions, the end cost was the following:

So, the following financial scheme was set. Apart from the IPTU and the building costs (R\$ 300, IPTU exempt, i.e. approx. € 70), the value of rent would have been built, as follows:

R\$ 100 (i.e. approx. € 23) for the wear rate of the apartment, in case of breaks and repairs;

R\$ 100 (i.e. approx. € 23) to support the association,

R\$ 100 (i.e. approx. € 23) to support the fund, aimed at buying new apartments,

R\$ 20 (i.e. approx. € 23) for the fee of the building insurance.

On top of it, R\$ 300 is charged as a block of flats or house costs (maintenance of the building, doorman, water) charged by the building to all the housing units.

- R\$ 620 (i.e. approx. € 142), as a total per month.

The total value (R\$ 620) was considered too high by some members, who had in mind the price of the municipal social rent, R\$ 300 about. But eventually, it helped FICA to understand its current public. We should not select a dweller in a highly precarious situation, who needs more structured public policies which this association is not able to provide. FICA could have lodge people who have functional lives and work, but simply don't have enough income to live in good conditions in a central regional. At our model, a family earning two minimum salaries would spend less than 30% on the rent, a proportion internationally considered as adequate.

Having the price set up, other criteria were necessary. Tania Christopoulos, a member of the association, realized a workshop in the apartment on November 2017, using the “personification” methodology, in order to collectively build a “character”, starting from personal questions. The resulting criteria are the following:

- a family led by a woman,
- any family composition,
- the presence of a baby, or a child,
- employed dweller working in the central region.

The major dilemma regarded the original location of the new dweller. For some people, she should be currently leaving in the outskirts of the city, so that arriving in the new flat she could avoid long commuting hours. For others, it should be someone already living in the centre of São Paulo but threatened by the high rent costs or by eviction, thus avoiding the gentrification and preserving the neighbourly ties. In December 2017, the assembly decided the ideal tenant would have already lived in the centre of São Paulo and in the outskirt so that she would be able to narrate her different experiences.

After defining the criteria, a selection process should be opened. The first option was a public call throughout social networks, but a social network leader observed that it would have moved several candidates, making all of them frustrated, except the selected one. It could risk the project's image. She proposed a selection done through trusted institutions. In February 2019 a questionnaire was built, in order to highlight the main elements of the

trajectory and current state of candidates. From February to April 2019, 9 partner institutions were contacted, and a group of FICA members and advisors has coordinated the process. The partner institutions have selected 12 candidates, and 6 of them were interviewed. In June 2019 the first family was selected.



Figures 1 and 2. The first apartment was bought in July 2017. In October it was exhibited in the XI São Paulo Biennial of Architecture, an important moment for the exposure of the project. The main character of the exhibition was the flat itself, and it was very important to show that it was real and that civil society had the resources to make such a thing happen. Simple boards in the wall explaining the project and some tape marks on the floor were showing what could be built in the flat.



Figures 3 and 4. The flat has performed quite a lot in 2017 and 2018, strengthening the project. In November 2017 a workshop with a Dutch institute was run in the flat. It was painted green and turned into a studio where a video was shot. In November 2017 a workshop on the criteria took place in the flat to help to define criteria to select the first tenant ((right).



Figures 5 and 6. In 2018 a thorough process of renovation was carried out in the first flat of FICA. The design process was collective and resulted in a non-authorial plan. Flat is long and thin (12x3 m), its original display presented natural lighting and ventilation through space. Most of the material for the renovation was donated.

Conclusion

Starting from scratch, FICA has adopted a pragmatic and incremental approach with remarkable results. The process to acquire the property throughout the crowd-funding seems to be successful. Besides holding the first flat renovated and the having chosen the first tenant, in May 2019 FICA had R\$ 120.000 (i.e. approx. € 27.600) in its account, that is a sufficient amount to buy a second apartment. The members have been improving the knowledge on the property alternative models and have even designed a course in the second semester of 2018, to share its knowledge.

In 2019 FICA is participating to the Chicago Architecture Biennial, with an installation reproducing the first flat, and the campaign “What does an ethical landlord look like?”. In partnership with a lawyer bureau, FICA proposed the mobilization of the protected public building stock to support rent social housing in Villa Itooró, a symbolic place in the centre São Paulo. With the support of a lawyers’ office, it is searching to intervene in tenements and in traditional rent housing where the high rents paid by tenants, contribute to precarious conditions and violation of housing rights.

The promotion of alternative housing policies to private property in Brazil has not several empirical pieces of evidence. One of the main debated challenges are the policies based on social housing throughout the creation of a public housing real estate stock managed by the state. Nevertheless, FICA allows looking at the housing problem from another perspective. As a small-scale experience, without previous clear reference models, it is an interesting lab to re-think the mechanisms regulating social housing.

With this initiative, the project expects to contribute also to the literature on social rental in Brazil, which devotes almost exclusive attention to the state and is silent about civil society’s responsibility and potentials on this issue.

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